

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN SERVICES

Call to Order: By **CHAIRMAN DAVE LEWIS**, on February 15, 2001 at 8:00 A.M., in Room 152 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chairman (R)
Sen. John Cobb, Vice Chairman (R)
Rep. Edith Clark (R)
Rep. Joey Jayne (D)
Sen. Bob Keenan (R)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: None.

Staff Present: Robert V. Andersen, OBPP
Pat Gervais, Legislative Branch
Sydney Taber, Committee Secretary
Connie Welsh, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted:
Executive Action: Wrap up of Child Support
Enforcement Issues

The tape recorder was unplugged until 18.6 minutes into the meeting.

Joe Mathews, Administrator of the Disabilities Services Division, went over the Health Care Financing Administration (HCFA) letter **EXHIBIT (jhh38a01)**. In response to a question for **SEN. WATERMAN** as to whether a plan must be fully funded, **Mr. Mathews** explained that the Department needs to review all those on waiver with a plan and the plan must be fully funded.

DISCUSSION AND EXECUTIVE ACTION ON HUMAN AND COMMUNITY SERVICES
DIVISION

Pat Gervais, Legislative Fiscal Division, went over the issues in the Human and Community Services Division on the yellow sheets **EXHIBIT(jhh38a02)**. There had been questions after Executive Action on February 14, as to which of the sheets the Committee had voted on **EXHIBIT(jhh38a03)**.

Motion/Vote: **SEN. COBB** moved **TO ADOPT THE TANF SHEET WITH THE BILLINGS DRUG COURT**. Motion carried unanimously.

REP. JAYNE asked what happened to the \$14 million mentioned by the Tribes in FAIM Phase II R. **SEN. COBB** said that it was given as a combined program so there was no actual \$14 million block of money for the Tribes. **SEN. COBB** asked if it could be a line item, and **Ms. Gervais** responded that she could work to line item for the Committee. **Hank Hudson, Administrator of Human and Community Services**, remarked that he had no problem with a line item of the FAIM Phase II, but would not like a line item on the reserves.

{Tape : 1; Side : A; Approx. Time Counter : 18.6-31.1}

In discussion of the line item issue, **Mr. Hudson** said that he would be happy to provide further clarification on any items that were too broadly labeled in the line item. It is good to know the intention in the language, but the Department does need some flexibility in the use of the funds, since the objective is to get as many people as possible off TANF. **REP. JAYNE** asked further if the Department expected to use all of the \$600,000 per year for the Kids Light Program, and **Mr. Hudson** said that it is a more specific use of the money, and it will be spent. In continuing discussion of the line item of FAIM Phase II R, **Ms. Gervais** and **Mr. Hudson** discussed the items that should be line item and those that would be a biennial appropriation. The Committee directed staff to work with the Department to develop a list of proposed line items.

REP. JAYNE addressed the Parents As Scholars issue and suggested that the Committee should perhaps revisit the issue. **CHAIRMAN LEWIS** said that **Wendy Young, from WEEL**, would address the Committee later this morning.

{Tape : 1; Side : A; Approx. Time Counter : 31.1-44.2}

Ms. Gervais continued with issues in Exhibit 2. The LFD has been working with the Department and the Budget Office to reconcile the numbers on TANF maintenance of effort, it should be ready for

discussion tomorrow. The Department is implementing an Electronic Benefit Transfer program of food stamp benefits, however, the Food Stamp Issuance Contract is in the base budget. Because EBT is scheduled to be implemented in the first half of FY02, it would appear that the Department would only need a part of the Food Stamp Issuance contract in the first year of the biennium and should be issuing benefits electronically in the second part of the year.

Bob Tallerico, Fiscal Bureau, Human and Community Services Division, went over the contract breakdown **EXHIBIT(jhh38a04)** for the Committee. Since there would be a pilot program in December of 2001 and complete implementation does not occur until October 2002, the Department would still need \$483,000 for the Food Stamp Issuance contract. At the end of 2003, there would be a need for a small contract to issue food stamps to people leaving the state. **Mr. Hudson** made a plea to keep the difference in his budget to pay rent increases, child care, and other demands. **Ms. Gervais** stated that the information provided during budget analysis indicated that food stamp EBT would be implemented January-June 2002 and reviewed for the Committee the rental increase that had been provided.

{Tape : 1; Side : A; Approx. Time Counter : 44.2-49.1}

Motion: SEN. WATERMAN moved TO TAKE THE \$27,421 FY02 AND \$107,831 FY03 GENERAL FUNDS OUT OF FOOD STAMPS AND TRANSFER TO USE AS MATCHING FUNDS TO DRAW DOWN CHILD CARE GRANTS.

Discussion: REP. JAYNE asked SEN. WATERMAN for explanation, to which SEN. WATERMAN said that the money that the Department had agreed was excess in the food stamp contract would transfer to child care match to draw down that block grant. Even with the transfer, the child care block grant will be short. REP. JAYNE commented that perhaps this money could be used to replace the funds taken from Child Support Enforcement Division.

{Tape : 1; Side : B; Approx. Time Counter : 0.3-4.1}

REP. JAYNE expressed concerns about the jobs being lost at the regional office that was being closed, and wondered if it would not be better to leave excess funds unencumbered until the end of the process and then apply those funds in the needed area.

{Tape : 1; Side : B; Approx. Time Counter : 4.1-5.8}

CHAIRMAN LEWIS called for a roll call vote.

Vote: Motion failed 3-3 with Cobb, Jayne, and Keenan voting no.

{Tape : 1; Side : B; Approx. Time Counter : 5.8-6.1}

Motion/Vote: REP. LEWIS moved TO REDUCE THE APPROPRIATION \$27,421 FY02 AND \$107,831 GENERAL FUND IN FY03. Motion carried 5-1 with Cobb voting no.

{Tape : 1; Side : B; Approx. Time Counter : 6.4-8.7}

Motion: SEN. COBB moved THE \$27,421 FY02 AND \$107,831 FY03 TO BE USED AS GENERAL FUND MATCH TO DRAW DOWN THE FEDERAL CHILD CARE BLOCK GRANT.

Substitute Motion/Vote: REP. JAYNE made a substitute motion TO USE THE \$135,000 TOWARD THE CHILD SUPPORT ENFORCEMENT DIVISION TO RESTORE SOME OF THE FUNDING TO PREVENT CLOSURE OF A REGIONAL OFFICE.

CHAIRMAN LEWIS requested a roll call vote.

{Tape : 1; Side : B; Approx. Time Counter : 8.7-9.1}

Vote: Substitute motion failed 1-5 with Jayne voting aye.

{Tape : 1; Side : B; Approx. Time Counter : 9.1-9.2}

CHAIRMAN LEWIS called for a roll call on SEN. COBB's original motion.

{Tape : 1; Side : B; Approx. Time Counter : 9.2-9.8}

Vote: Motion carried 4-2 with Jayne and Keenan voting no.

{Tape : 1; Side : B; Approx. Time Counter : 9.8-24.9}

Wendy Young, WEEL, expressed her concerns over the Department's idea of Parents As Scholars and the Committee's vote on the issue. The proposal voted on limits the amount of time that someone going onto public assistance will be able to go to school to two years. Currently, a family on assistance or entering assistance can go to school for four years. Ms. Young requested that the Committee take out the Parents As Scholars voted on and put language in which states that:

the Department is requested to create Parents As Scholars as outlined in HB 425. Parents As Scholars uses maintenance of effort money to allow families to pursue education without starting a time clock and with a 180 hour work requirement. The Department must use TANF funds to pay for any maintenance of effort program that Parents As Scholars replaces.

Ms. Young requested that if the Committee does not do this, it please not limit the time a family currently on assistance can spend in an educational program.

There was discussion over the difference between HB 425 and the action of the Committee on Parents As Scholars. Ms. Young

explained the work requirements of HB 425. **CHAIRMAN LEWIS** commented that he felt that the Committee did understand that people currently in the program would be allowed to complete their four years, but that new people entering would have two years. Since the objective is to get people off of assistance and provide them with skills that will improve their ability to earn a good income, the proposal voted on by the Committee covers that adequately. **SEN. WATERMAN** said that she feels that scarce resources should be targeted and the Committee has done that adequately with its action.

{Tape : 1; Side : B; Approx. Time Counter : 24.3-29.7}

Motion: REP. JAYNE moved THAT THE DEPARTMENT CREATE A PARENTS AS SCHOLARS PROGRAM AS OUTLINED IN HB 425 USING MAINTENANCE OF EFFORT MONEY TO ALLOW TANF FAMILIES TO PURSUE EDUCATION WITHOUT USING THEIR TIME CLOCK AND WITH A 180 HOUR WORK REQUIREMENT. THE DEPARTMENT MUST USE TANF FUNDS TO PAY FOR ANY MAINTENANCE OF EFFORT THAT PARENTS AS SCHOLARS REPLACES.

Discussion: **SEN. WATERMAN** said that she has always liked the Parents As Scholars program as implemented in other states, and the Committee mirrored closely what is done in Maine and Wyoming. In response to **CHAIRMAN LEWIS's** question of Karlene Grossberg, Public Assistance Bureau Chief, as to whether the Committee's 10 hour work requirement met federal regulation, Ms. Grossberg said that it did.

CHAIRMAN LEWIS called a roll call vote.

{Tape : 1; Side : B; Approx. Time Counter : 29.7-30.4}

Vote: Motion failed 1-5 with Jayne voting aye.

REP. JAYNE commented that the Department's presentation of Parents As Scholars had not adequately represented it, and the outcome may have been more favorable if it had been discussed at greater length. She felt that the Committee had failed its constituents in its action.

{Tape : 1; Side : B; Approx. Time Counter : 33.4-34.6}

Ms. Gervais went over details of the Kids Light program. Those general fund expenditures would be made under the Mental Health Program, so during action on the Mental Health Division, the Committee may wish to move that general fund from this division to Mental Health. LFD would then work with the Department to make sure that it has planned to cover all expenditures with federal TANF funds that were previously funded with maintenance of effort funds.

DISCUSSION AND EXECUTIVE ACTION ON CHILD AND FAMILY SERVICES**DIVISION**

{Tape : 1; Side : B; Approx. Time Counter : 34.6-35.9}

Ms. Gervais went over the two issues in Child and Family Services Division. There is an increase in the federal IV-E Independent Living Grant, which is projected to be \$500,000 per year in the next biennium. The base budget includes \$215,000 of federal authority. The Department believes that it can use existing general fund within the Division to provide the match for the federal funds. The Committee may wish to consider adding \$285,000 of federal funds per year so that the Division could access the full \$500,000 grant.

{Tape : 1; Side : B; Approx. Time Counter : 35.9-45.1}

Motion/Vote: SEN. WATERMAN moved TO INCREASE FUNDING BY \$285,000 PER YEAR IN ORDER FOR THE DIVISION TO ACCESS THE FULL \$500,000 IV-E INDEPENDENT LIVING GRANT. Motion carried unanimously.

Ms. Gervais pointed out that the revised subsidized adoption and foster care caseload estimates as presented in the Department's worksheets resulted in a \$49,000 lower general fund requirement in the 2003 biennium than was included in the Executive Budget. This funding has not been moved or taken for any purpose. The decision packages acted on did not include this amount; the budget as approved is \$49,000 less than the Executive Budget, but matches revised estimates so is fully funded for foster care and subsidized adoption.

SEN. WATERMAN asked the Division if there is an unmet need in subsidized adoptions. **Chuck Hunter, Administrator of Child and Family Services Division**, responded that in the recalculation, the Division believes that it has enough funds to subsidize the expected adoptions over the next biennium. The limitations are on the staff's ability to do more so contracting some of the work would alleviate this pressure. Contracts generally cost between \$60,000 and \$70,000.

{Tape : 1; Side : B; Approx. Time Counter : 45.1-49.3}

Motion/Vote: SEN. WATERMAN moved TO AUTHORIZE \$49,000 GENERAL FUND FOR THE 2003 BIENNIUM FOR CONTRACTED SERVICES FOR SUBSIDIZED ADOPTION PLACEMENTS. Motion carried 4-2 with Keenan and Lewis voting no.

CHAIRMAN LEWIS called a roll call vote on the above motion.

{Tape : 1; Side : B; Approx. Time Counter : 49.3-49.4}

{Tape : 2; Side : A; Approx. Time Counter : 0.1}

Motion: SEN. COBB moved \$100,000 GENERAL FUND EACH YEAR BE APPROPRIATED FOR IN-HOME SERVICES AND FOSTER CARE FAMILY SUPPORT PLUS FEDERAL MATCH.

Discussion: In discussion, SEN. COBB commented that Governor Racicot's higher budget for this had been reduced by Governor Martz. He wants to put some back in to effect change. The money will be used for in-home services and foster family support. **Mr. Hunter** said that 70% of any additional money would be used on therapeutic services delivered in homes to keep children in their homes. The services would be provided to families where there would be a combination of circumstances that would otherwise lead the Division to remove the child. This money would fund protective services, therapeutic services, and training parents in disciplinary practices. The Division spends about \$2.7 million per year on those services already. There are many families on a waiting list for the services which the Department is unable to deliver. Many of these children will end up in the foster care system, at which time higher dollars are spent on them.

A roll call vote was taken on SEN. COBB's motion.

{Tape : 2; Side : A; Approx. Time Counter : 4-4.6}

Vote: Motion failed 2-4 with Cobb and Waterman voting aye.

DISCUSSION AND EXECUTIVE ACTION ON CHILD SUPPORT ENFORCEMENT

DIVISION

{Tape : 2; Side : A; Approx. Time Counter : 4.6-8.8}

CHAIRMAN LEWIS reviewed the Committee's prior Executive Action to close a CSED regional office. He introduced **Teri Minow, MEA-MFT**, who expressed her concerns about the action of the Committee in the closure of an office in the Child Support Enforcement Division (CSED) which would result in the loss of 24 jobs. The increasing caseload requirements could be at unmanageable levels, which could, in turn, cause employees to find work elsewhere. The Committee should also consider the negative impact that this closure will have on the families that are owed the child support money and rely on these services to keep them off of public assistance. She asked the Committee to restore the funding for all CSED regional offices.

{Tape : 2; Side : A; Approx. Time Counter : 8.8-18.4}

Mary Ann Wellbank, Administrator of the Child Support Enforcement Division, explained the background and the impacts that the cuts made on January 16, 2001 would have on CSED **EXHIBIT(jhh38a05)** and **EXHIBIT(jhh38a06)**. She asked for restoration of \$330,000 general fund per year matched by \$670,588 federal funds. Should the Committee choose to continue with the cut, CSED proposed an

alternative plan which would allow maximum flexibility to implement cuts looking at areas that would do the least harm to those relying on services.

{Tape : 2; Side : A; Approx. Time Counter : 18.4-25.8}

In continued discussion, **SEN. WATERMAN** was amenable to allowing CSED the flexibility to make the most appropriate cuts. **REP. JAYNE** asked **Ms. Wellbank** for the dollar figure on her alternative plan.

{Tape : 2; Side : A; Approx. Time Counter : 25.8-40.4}

Motion: **REP. JAYNE** moved TO RESTORE \$330,000 PER YEAR GENERAL FUND WITH \$670,588 FEDERAL MATCH PER YEAR WHICH WOULD ALLOW THE CHILD SUPPORT ENFORCEMENT DIVISION TO CONTINUE TO OPERATE AT ITS CURRENT LEVEL.

Discussion: In further discussion, **Director Gray** remarked that CSED had been cut more significantly than any other division. The Department's is concerned that cuts will have a ripple effect in other divisions of the Department, such as Medicaid and assistance. In response to a request from **CHAIRMAN LEWIS** that she suggest a place to take the money, **Director Gray** reiterated that the cut is too deep in the base of CSED, and if the money can be taken elsewhere in the Department it should be.

CHAIRMAN LEWIS said that the Committee had taken the money offered in the 15% cut and used to address the Developmental Disability (DD) waiting list which was a high priority. If the Department can come with an alternative place to cut fine, but until then it should stay where it is. It was agreed that **Director Gray** could present an alternative proposal tomorrow. **REP. JAYNE** commented that it is the Committee's responsibility to find the funds to appropriate for programs.

CHAIRMAN LEWIS called a roll call vote. **CHAIRMAN LEWIS** holds **SEN. KEENAN's** proxy.

{Tape : 2; Side : A; Approx. Time Counter : 40.4-43.4}

Vote: Motion failed 3-3 with Clark, Keenan, and Lewis voting no.

{Tape : 2; Side : A; Approx. Time Counter : 43.4-44.6}

Ms. Gervais went over the proposed language for CSED **EXHIBIT(jhh38a07)**. When the Committee took Executive Action, it provided for restricted appropriations for costs associated with completion of financial institution data matches and the cost incurred for the study of the cost of raising a child in Montana.

{Tape : 2; Side : A; Approx. Time Counter : 44.6}

Motion/Vote: REP. LEWIS moved TO ACCEPT THE LANGUAGE AS PROPOSED.
Motion carried unanimously.

**DISCUSSION AND EXECUTIVE ACTION ON ADDICTIVE AND MENTAL HEALTH
SERVICES DIVISION**

{Tape : 2; Side : B; Approx. Time Counter : .3-6.3}

Lois Steinbeck, LFD, reviewed the LFD issues in respect to Chemical Dependency (Exhibit 2): the Medicaid refinance; the potential use of intergovernmental transfer in chemical dependency program to maximize available funding; and the use of alcohol tax special revenue to offset general fund in mental health. **EXHIBIT(jhh38a08)**

The LFD analysis indicated that the excess alcohol fund could be used to offset general fund for the \$162,000 in the youth alcohol program that is being transferred to match Medicaid funds. In its analysis, the LFD identified the amount of excess alcohol tax revenue funds available in the special revenue account as \$530,000 the first year of the biennium and \$750,000 the second year, assuming current revenue projections.

{Tape : 2; Side : A; Approx. Time Counter : 6.3-8.8}

A letter submitted by **Joan Cassidy, President of the Montana Addiction Service Providers,** explained the association's views on the Medicaid expansion **EXHIBIT(jhh38a09)**. The Association asked for input in the Medicaid rule writing and limits on the dollar amount of the expansion. It also expressed concerns over the diversion of excess alcohol earmarked funds. **CHAIRMAN LEWIS** asked **Roland Mena, Chemical Dependency Bureau Chief, Addictive and Mental Disorders Division,** to report on the meeting that he had with addiction service providers. **Mr. Mena** expressed confidence that the Division can work with providers successfully on this. He went over the concerns that providers had, which he felt had been addressed in HB 2 language that assures the same level of block grant funding as the 2000 budget and in SB 264 which capped the \$1.2 million for the co-occurring services which also sunset the language.

{Tape : 2; Side : A; Approx. Time Counter : 8.8-12.2}

REP. CLARK commented that if the Committee puts language that assures that the providers will receive a set amount back then there should be no problem with the county commissioners. **SEN. WATERMAN** asked **Mr. Anderson** whether he had an opportunity to look over the amendments that had been placed on SB 264 since she was concerned that the amendments would further limit the flexibility

of the funds. **Mr. Anderson** said that the second amendment includes the \$1.3 million cap on the co-occurring disorders and sunset clause agreed on. It also does something that the Department had not agreed to; it would require a distribution to the counties of the same amount that was distributed this past biennium, which goes beyond what was asked for by the providers. **SEN. WATERMAN** said that she would strip it from the bill.

{Tape : 2; Side : A; Approx. Time Counter : 12.2-16.4}

Kristi Blazer, Rimrock Foundation and Montana Addictive Service Providers, went over the various amendments added to SB 264. It had been her intention that the language would say at least \$1 million. **SEN. WATERMAN** said that she had offered to put that language in HB 2, but **Ms. Blazer** did not want it there. **Ms. Blazer** remarked that they did not want it to go through that process, but preferred it in SB 264.

{Tape : 2; Side : A; Approx. Time Counter : 23.7-25.2}

Motion/Vote: **SEN. COBB** moved DP 117, REFINANCE OF CHEMICAL DEPENDENCY PROGRAM AND DP 138, INDIGENT YOUTH PROVIDER RATE INCREASE. Motion carried unanimously.

{Tape : 2; Side : A; Approx. Time Counter : 25.2-26.9}

Motion/Vote: **SEN. COBB** moved TO ADD THE FOLLOWING LANGUAGE TO HB 2: THE FUNDS ARE CONTINGENT ON THE DEPARTMENT MAINTAINING \$3,539,842 OF FEDERAL BLOCK GRANT CONTRACTS TO STATE APPROVED CHEMICAL DEPENDENCY PROGRAMS FOR TREATMENT AND REHABILITATION EACH YEAR OF THE 2003 BIENNIUM. Motion carried unanimously.

{Tape : 2; Side : A; Approx. Time Counter : 26.9-28.5}

Motion/Vote: **SEN. WATERMAN** moved THE BASE BUDGET PLUS STATEWIDE PRESENT LAW ADJUSTMENTS AND VACANCY SAVINGS FOR PROGRAM 22. Motion carried 5-1 with Cobb voting no.

{Tape : 2; Side : A; Approx. Time Counter : 37-38.9}

Motion/Vote: **SEN. WATERMAN** moved TO MAXIMIZE ALL INTERGOVERNMENTAL TRANSFERS AND THAT LFD STAFF WRITE UP LANGUAGE ASKING FOR REPORTS TO THE LEGISLATIVE FINANCE COMMITTEE OR WHICHEVER APPROPRIATE FINANCE COMMITTEE. Motion carried unanimously.

DISCUSSION AND EXECUTIVE ON HEALTH POLICY AND SERVICES DIVISION

{Tape : 2; Side : A; Approx. Time Counter : 41.7-49.8}

Mike Billings, Administrator of Operations and Technology Division, went over the updated Medicaid projections **EXHIBIT(jhh38a10)**. In the current biennium, the Department had

requested \$200.55 million general fund for the state share of Medicaid for the biennium.

{Tape : 3; Side : A; Approx. Time Counter : 0.2-8.0}

Mr. Billings continued that this was the amount endorsed by the Committee in the last session. Currently, the number is \$214.67 million. These numbers show the Department's \$14 million overrun. At this moment, the Department calculates that it will spend \$242.5 million in the next biennium. The Executive Budget projects expenditures at \$237.64 million, which means that the Department will spend \$5 million more than is in the Executive Budget.

{Tape : 3; Side : A; Approx. Time Counter : 8-12.7}

Ms. Welsh commented that on Monday when the Budget Office presented the supplemental request to the Committee, it showed the 2002-2003 budget adjustments that it would make including the amount **Mr. Billings** has just mentioned - \$1.6 million for FY02 and \$3.3 million for FY03. The Committee will need to act on **Mr. Billings'** budget projections. In further clarification for **SEN. COBB**, **Ms. Welsh** said that the Executive would mitigate the \$5 million increase in the Medicaid projection with the intergovernmental transfer - \$1 million of the intergovernmental transfer for nursing homes was set aside in FY01, and \$2 million each year during FY02 and FY03. The rest of the intergovernmental transfer would include some amount that would go back into the nursing home system. **Ms. Welsh** remarked that in the presentation laid out on Monday, the Budget Office had mitigated the additional \$5 million that **Mr. Billings** has spoken about in increased Medicaid projections and revised other Executive requests to accommodate that.

In continued discussion with the Committee, **Director Gray** said that should there be a shortfall in Medicaid, the money will be taken out of the rate increase.

{Tape : 3; Side : A; Approx. Time Counter : 12.7-14}

SEN. COBB asked which provider rate increases would be cut; the increases in the area that caused the problem should be those cut. **Director Gray** said that this would be the intention, but there may be questions of legality and referred the Committee to **Ms. Steinbeck**.

{Tape : 3; Side : A; Approx. Time Counter : 14-16.4}

Ms. Steinbeck explained that under supplemental law, statute does not allow the management of different divisions in an agency as separate entities. Statute requires that agencies be managed as single entities with regard to cost overruns. The language proposed by the Department allows the divisions to be managed as

separate agencies. If the cost overrun occurs in one division, it may be illegal to authorize optional expenditures to go forward in one division because it is not experiencing a supplemental. The statute requires the Department to produce a plan and to reduce all nonmandatory expenditures.

Mr. Chappuis responded to questions regarding Medicaid problems in other states. Many states are having similar problems.

{Tape : 3; Side : A; Approx. Time Counter : 36.1-39.6}

Ms. Welsh read the total amount for the supplemental as \$16,254,248 acted on Monday. The Medicaid projection update for 2002 was a general fund increase of \$1,684,123 and matching federal funds. The 2003 amount is \$3,334,918 and accompanying federal funds.

{Tape : 3; Side : A; Approx. Time Counter : 39.6-40.2}

Motion/Vote: SEN. COBB moved TO ADOPT THE UPDATED MEDICAID PROJECTIONS OF \$1,684,123 GENERAL FUND PLUS FEDERAL MATCH IN FY02 AND \$3,334,918 GENERAL FUND PLUS FEDERAL MATCH IN FY03. Motion carried unanimously.

{Tape : 3; Side : A; Approx. Time Counter : 40.2-42.2}

Motion/Vote: SEN. COBB moved TO ADD \$500,000 GENERAL FUND TO FY02 AND \$1 MILLION TO FY03 IN ADDITION TO WHAT THE COMMITTEE JUST DID PLUS FEDERAL MATCHING.

{Tape : 4; Side : A; Approx. Time Counter : 42.2-43.2}

CHAIRMAN LEWIS called for a roll call vote.

Vote: Motion failed 2-4 with Cobb and Jayne voting aye.

{Tape : 3; Side : A; Approx. Time Counter : 43.2-45.7}

Ms. Steinbeck went over further issues on Exhibit 2. In past sessions, the Committee has put language in HB 2 indicating the amount of funds appropriated for hospital services. An option presented for consideration is that the language could be put in the narrative instead of HB 2. **SEN. COBB asked Bob Olsen, Montana Hospital Association**, whether he would want this in the narrative. For tracking purposes, **Mr. Olsen** agreed that it should at least be in the narrative. **Ms. Steinbeck** commented that she intended to have a section in the narrative that would indicate legislative intent.

{Tape : 3; Side : A; Approx. Time Counter : 46.8}

Motion/Vote: SEN. COBB moved TO PUT THE FUNDS APPROPRIATED FOR HOSPITAL SERVICES IN THE NARRATIVE THAT FOLLOWS HB 2. Motion carried unanimously.

{Tape : 3; Side : A; Approx. Time Counter : 47.5-49.5}

Ms. Steinbeck continued with Exhibit 2. She asked the subcommittee if it would like to establish a priority list of service reductions that it would like DPHHS to consider in the event Medicaid costs exceed the appropriation. **SEN. WATERMAN** recommended that the Committee give the Department direction on where it would expect cuts to be made in that case.

{Tape : 3; Side : B; Approx. Time Counter : 0.4-3.6}

There was further discussion of this issue. **SEN. COBB** said that he would work on the optional services list and provider rates and where cuts could be made. Some kind of combination of provider rates and services cut, would provide something. There is not much else that can be cut in entitlement programs unless other divisions cut. **CHAIRMAN LEWIS** made reference to a prior time that optional services had been cut and the state lost the case in court. **Director Gray** said that the services were not optional for children, but for adults they were. **SEN. COBB** said that **Mary Dalton** had told him that you do not cut people off, but the amount of services offered are so low that there is not much there.

{Tape : 4; Side : A; Approx. Time Counter : 3.6-5.8}

Director Gray went over language that **Director Swysgood** would like in the bill dealing with the increases to the Medicaid expenditures. **Ms. Steinbeck** stated that there is a bill that amends program transfer language in statute and if it does not pass, this language is an implied amendment to statute and is illegal language. Substantive law says that program transfers can be done, and if the Committee wishes to do this, Medicaid appropriations need to be line itemed and restricted.

Ms. Steinbeck recommended that the language proposed by **Director Swysgood** be placed in the section of narrative accompanying HB 2 as a strong recording of the Committee's intent.

{Tape : 3; Side : B; Approx. Time Counter : 5.8-6.5}

Motion/Vote: **SEN. COBB** moved **THE LANGUAGE PROPOSED BY BUDGET DIRECTOR SWYSGOOD THAT THE ADDITIONAL FUNDING FROM MEDICAID TOTALING \$1.6 MILLION IN FY02 AND \$3.3 MILLION IN FY03 IS INTENDED ONLY TO BE USED TO PROVIDE MEDICAID BENEFITS. IF MEDICAID EXPENDITURES ARE LESS THAN THE TOTAL APPROPRIATED AMOUNT FOR MEDICAID DURING THE 2003 BIENNIUM, ADDITIONAL FUNDS CANNOT BE TRANSFERRED WITHIN THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES FOR ANY OTHER USE.** Motion carried unanimously.

{Tape : 3; Side : B; Approx. Time Counter : 6.5-8.6}

In discussion on the Medicaid costs funded on rebate, **Ms. Steinbeck** gave the drug rebates as \$14.5 million the first year and \$16.4 million the second year. The Committee needs to decide

on how the state match for that drug rebate revenue is funded. The LFD issue in regard to this is that in the Executive Budget the match for drug rebates is from the state special revenue fund. This is not in compliance with legislative policy in the use of state special revenue.

{Tape : 3; Side : B; Approx. Time Counter : 8.6-10.5}

Motion: SEN. WATERMAN moved THAT MEDICAID DRUG REBATES REMAIN IN THE STATE SPECIAL REVENUE ACCOUNT.

Discussion: Ms. Welsh commented that third party liability of \$400,000 should be included in the motion. The amount currently in the Executive Budget for state special revenue would cover both third party liability revenues and drug rebates.

SEN. WATERMAN amended her motion to include both Medicaid drug rebates and third party liability.

{Tape : 3; Side : B; Approx. Time Counter : 10.5-11.6}

Motion/Vote: SEN. WATERMAN moved THAT MEDICAID DRUG REBATES AND THIRD PARTY LIABILITY REMAIN IN THE STATE SPECIAL REVENUE ACCOUNT. Motion carried 5-1 with Cobb voting no.

{Tape : 3; Side : B; Approx. Time Counter : 11.6-12.3}

Motion/Vote: SEN. WATERMAN moved TO APPROPRIATE THE GENERAL FUND NUMBERS OF \$981,000 FY02 AND \$990,000 FY03. Motion carried unanimously.

{Tape : 3; Side : B; Approx. Time Counter : 12.3-15.2}

Ms. Steinbeck explained that in past sessions, the Committee had included language in HB 2 specifying a compounded annual rate of increase in the general fund expended for Medicaid benefits. In FY01, Medicaid benefits exceeded that rate of growth. It had been hoped that the Department would reduce services to avoid expending general fund in excess of the legal allowable limit. Another option for consideration, would be to include it as a measure in the narrative accompanying the act. There was further discussion on the issue without action.

{Tape : 3; Side : B; Approx. Time Counter : 15.2-18.9}

In discussion of item 11 on Exhibit 2, **SEN. WATERMAN** remarked that the Department needs flexibility in circumstance where it might expand services by providing optional services in order to save money.

{Tape : 3; Side : B; Approx. Time Counter : 18.9-25}

Motion: SEN. COBB moved FOR A SUBCOMMITTEE BILL TO LIMIT EXPANSION OF MEDICAID SERVICES WITHOUT LEGISLATIVE APPROVAL.

Discussion: SEN. KEENAN asked what the expected reversion is for the current year in Medicaid state funds. Ms. Steinbeck responded that there is no reversion due to the anticipated supplemental appropriation. Director Gray expressed concern that if there was some sort of optional services that would reduce costs the language in this motion would not allow this flexibility. SEN. WATERMAN said that it makes no sense to limit flexibility to reduce costs. SEN. COBB amended his motion to include inserting sections in compliance with Medicaid rules and regulations and terminology showing savings from such expansions.

{Tape : 3; Side : B; Approx. Time Counter : 25-25.3}

Motion/Vote: SEN. COBB moved A SUBCOMMITTEE BILL TO LIMIT EXPANSION OF MEDICAID UPON LEGISLATIVE APPROVAL INSERTING SECTIONS THAT IT IS COMPLIANT WITH MEDICAID RULES AND REGULATIONS AND TERMINOLOGY SHOWING SAVINGS FROM SUCH EXPANSIONS. Motion carried 5-1 with Waterman voting no.

{Tape : 3; Side : B; Approx. Time Counter : 25.3-26}

Ms. Steinbeck went over item 12 on Exhibit 2. Health Policy was recently notified of two increases in grants and asked the Committee to add these additional amounts in each year of the biennium so that they can expend the funds.

{Tape : 3; Side : B; Approx. Time Counter : 26-26.5}

Motion/Vote: SEN. KEENAN moved TO ADOPT THE DIABETES GRANT OF \$310,455 IN FY02 AND \$191,455 IN FY03 AND THE PRIMARY CARE GRANT OF \$135,442 IN FY02 AND \$106,442 IN FY03. Motion carried unanimously.

{Tape : 3; Side : B; Approx. Time Counter : 27.4-28.4}

Motion/Vote: REP. LEWIS moved TO AMEND LANGUAGE FOR THE CARDIOVASCULAR GRANT TO SAY 3.5 FTE SUPPORTED BY THE GRANT. Motion carried unanimously.

{Tape : 3; Side : B; Approx. Time Counter : 28.4-33.2}

Ms. Steinbeck reviewed the situation in which the Committee had requested language in Item 15 on Exhibit 2. Mr. Chappuis distributed a memo written to SEN. COBB which goes over the costs savings when staff are freed up EXHIBIT(jhh38a11). He said that the language proposed by the LFD needs to say "hospital" instead of "out-of-state" or "outpatient hospital". The Committee decided to wait until it had been written up.

DISCUSSION AND EXECUTIVE ACTION ON SENIOR AND LONG-TERM CARE DIVISION

{Tape : 3; Side : B; Approx. Time Counter : 33.2-34.1}

Ms. Steinbeck referred Committee members to Item 22-c of Exhibit 2 and the language requested by **SEN. WATERMAN** regarding posting staffing ratios on the Internet **EXHIBIT(jhh38a12)**.

{Tape : 3; Side : B; Approx. Time Counter : 34.1-36.7}

Motion: **SEN. WATERMAN** moved TO ADOPT LANGUAGE THAT SAYS THE DEPARTMENT SHALL POST STAFFING LEVELS PROVIDED IN MONTANA NURSING FACILITIES ON THE SENIOR AND LONG-TERM DIVISION WEBSITE.

Discussion: **Mike Hanshew, Administrator of Senior and Long-Term Care Division**, said that the issue was referred to an attorney. While he has not seen the write up, he was told that as long as it provides the same caveat that HCFA does, then they would assume no substantial liability other than that they already have.

{Tape : 3; Side : B; Approx. Time Counter : 38.7}

Vote: Motion carried unanimously.

{Tape : 3; Side : B; Approx. Time Counter : 38.7-41.9}

Ms. Steinbeck went over language that would govern the expenditure of the \$1 million that the Committee would appropriate in HB 2 to make one time grants to nursing homes. The language guarantees that the general fund gets the \$2 million from the IGT program and would require that the Budget Office certify the amount of receipt above \$2 million and that expenditures be limited to the amount above \$2 million. This can be put in the state special revenue fund without creating a statute to say it must be deposited there. It was agreed that it would be a state special revenue account.

{Tape : 3; Side : B; Approx. Time Counter : 41.9-42}

Motion/Vote: **SEN. COBB** moved TO ADOPT THE LANGUAGE PROPOSED BUT THAT IT SAY STATE SPECIAL REVENUE. Motion carried unanimously.

{Tape : 3; Side : B; Approx. Time Counter : 42-43}

Motion: **SEN. COBB** moved TO ADOPT THE SAME LANGUAGE BUT INSTEAD OF \$2 MILLION MAKE IT \$1.5 MILLION. **SEN. COBB** withdrew the proposed motion.

{Tape : 3; Side : B; Approx. Time Counter : 43-49.5}

CHAIRMAN LEWIS explained Item 24 of Exhibit 2, **REP. CARNEY** requested funding for .5 FTE, \$18,500 general fund annually, to coordinate claims and applications for federal grants between Lincoln County and DPHHS. **Joanne Dotson, Family and Community Health Bureau**, explained that this bill was introduced to assist clients in finding resources to support those in Libby who are suffering from asbestosis. She has been coordinating with

Senator Baucus's office to find other resources to do this. The Department prefers a contract position with identification of alternative funding.

{Tape : 4; Side : A; Approx. Time Counter : 0.4-1.9}

SEN. WATERMAN asked if there were other sources to pay for this. **Ms. Dotson** responded that there may be, but those sources have not been identified.

{Tape : 4; Side : A; Approx. Time Counter : 1.9-3}

Motion/Vote: **SEN. WATERMAN** moved TO APPROVE UP TO \$18,500 GENERAL FUND ANNUALLY IN CONTRACTED SERVICES WITH LANGUAGE THAT SAYS IT IS AVAILABLE AS A LAST RESORT AND THAT OTHER FUNDING SOURCES BE EXPLORED AND UTILIZED IF AT ALL AVAILABLE, RESTRICTED AND ONE TIME ONLY. Motion carried 5-1 with Keenan voting no.

**DISCUSSION AND EXECUTIVE ACTION ON OPERATIONS AND TECHNOLOGY
DIVISION**

{Tape : 4; Side : A; Approx. Time Counter : 3-10.2}

Discussion followed on the earlier action taken by the Committee to reduce the budget of Operations and Technology Division by \$50,000 general fund per year and apply it to Child and Family Services Division, \$25,000 for the IV-E Collaborative Project and \$25,000 for Big Brothers-Big Sisters. When **Ms. Gervais** requested information from the Department regarding the budget they would like it removed, she was told to remove it from CAPS system related costs. She went over the list of budgetary considerations from which the funding could be removed.

Mr. Billings said that CAPS could absorb these costs, and that the costs are administrative costs so CAPS seemed a good place to do the reduction. **Ms. Gervais** went over the travel budget for this Division. **SEN. KEENAN** said that he does not want to take it out of CAPS and asked **Ms. Gervais** to go over the details of the total program costs.

{Tape : 4; Side : A; Approx. Time Counter : 10.2-10.6}

Motion/Vote: **SEN. KEENAN** moved TO REDUCE THE ADMINISTRATION REPORTING LEVEL BUDGET OF PROGRAM 9 BY \$25,000 GENERAL FUND IN FY02 AND \$25,000 GENERAL FUND FY03. Motion carried unanimously.

{Tape : 4; Side : A; Approx. Time Counter : 10.6-12.3}

Ms. Gervais indicated that the Committee might wish to propose language that the Department pay all ISD fees. **SEN. WATERMAN** does not want to pay this. LFD staff stressed that this is a problem that could effect other agencies. The longer DPHHS is allowed to not pay all ISD cost, the greater the risk that the

federal government will disallow expenditures in other federal programs.

{Tape : 4; Side : A; Approx. Time Counter : 12.3-14.2}

Mr. Billings said that the Department has paid all of the ISD fees except for the two years when the Legislature put a cap on it and paid several hundred thousand more than budgeted in FY00. The Department is not in jeopardy with the federal government at the present time. Further, **Ms. Gervais** and **Ms. Steinbeck** responded that the issue cuts across state government.

{Tape : 4; Side : A; Approx. Time Counter : 14.2-17.0}

In further discussion, it was decided that it was a management issue not a legislative issue.

**DISCUSSION AND EXECUTIVE ACTION IN HEALTH POLICY SERVICES
DIVISION**

{Tape : 4; Side : A; Approx. Time Counter : 17.0-19.7}

Ms. Steinbeck went over another recommendation of the Budget Office in its supplemental. There was \$317,173 in tobacco interest money that was not appropriated, and the appropriate amendment to offer would be to increase tobacco interest income by \$674,000 and reduce general fund by a like amount in FY02 and increase general fund by \$317,173 in FY03 and reduce tobacco trust interest by \$317,173. This would give the Committee a net general fund reduction of \$356,827. The administration has already applied that savings for the supplemental.

{Tape : 4; Side : A; Approx. Time Counter : 19.7}

Motion/Vote: REP. LEWIS moved TO INCREASE TOBACCO INTEREST INCOME BY \$674,000 IN FY02 AND REDUCE GENERAL FUND BY THAT AMOUNT AND INCREASE GENERAL FUND BY \$317,173 IN FY03 AND REDUCE TOBACCO TRUST INTEREST BY \$317,173. Motion carried 5-1 with Cobb voting no.

ADJOURNMENT

Adjournment: 11:40 A.M.

REP. DAVE LEWIS, Chairman

SYDNEY TABER, Secretary

DL/ST

EXHIBIT (jhh38aad)